

TITLE

Unemployment in the United Kingdom: Tackling contributing factors to the recycling of workers between insecure work and Job Seeker's Allowance.

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Synopsis

This book is an examination of the socio-economic problems of long-term unemployment (LTU) and repeat Job Seeker's Allowance (JSA) spells. It asks what are the individual, class, economic, educational, institutional, structural, social, and other factors contributing to LTU and repeat JSA spells? It includes discussion of the current debate regarding these factors and analyses this against current trends.

This book concludes that LTU and repeat JSA claims are essentially two symptoms of the same core problems occurring in the UK labour market that conspire to prevent some workers from gaining long-term sustainable employment.

Using the information gathered, this work proposes a number of public policy solutions to these problems.

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Introduction

Research objective

The objective of this work is an examination of the institutional, structural, social, economic, educational, class and other contributing factors towards the socio-economic problems of long-term unemployment (LTU) and of the 'recycling' of workers between short-term/insecure employment and Job Seeker's Allowance (JSA). From this foundation of understanding, the intention is to explore what public policy solutions may be necessary to reduce the incidence of these contributing factors in the future.

Key definitions

The Organisation for Economic Co-operation and Development (OECD) has defined long-term unemployment (LTU) as "that involving people out of work and looking for work for 12 months or more" (OECD, 1988). This definition will be that used in this work.

'Recycling', 're-tread' or 'churning' is the situation where individuals repeatedly claim JSA without finding sustained employment between claims (Carpenter 2006).

'Employability' is defined by the Department for Employment and Learning in Northern Ireland as "the capability to move into and within labour markets and to realise potential through sustainable and accessible employment" (DELNI, 2002).

Research questions

To assist in the exploration of LTU and ‘recycling’, the following research questions have been chosen:

- What are the institutional, structural, social, economic, class, educational and other factors contributing to long-term unemployment?
- What are the institutional, structural, social, economic, class, educational and other factors contributing to the “recycling” of workers between short-term/insecure employment and Jobseeker’s Allowance?
- What changes or improvements to the UK benefits regime, and other areas of public policy would address these contributing factors and reduce long-term unemployment and the recycling of workers between short-term employment and Job Seeker’s Allowance?

These broadly defined questions were chosen to give the greatest depth of understanding of the issues concerned, and thus meet the objectives of this work.

Methodological limitations – Ontological and epistemological assumptions

An interpretivist approach was adopted in the research and writing of this work. The full range of qualitative and quantitative research methodologies were examined in preparation for this work and use of surveys, focus groups and action research could have yielded some very interesting and constructive data. Unfortunately, due to tight time limitations of this research project there was no opportunity to conduct primary research. Research for this work

has therefore been 'desk based' focusing on relevant academic work and supported by secondary data gathered by academics and organisations such as the OECD, United Nations International Labour Organisation (UN ILO), the United Kingdom's Department for Work and Pensions, (DWP) and the Office for National Statistics (ONS).

Using a triangulation of the theoretical and statistical data available, this work will seek to answer these research questions and further increase our understanding of LTU and 'recycling', and how such problems can be solved through public policy.

Chapter 1

The UK welfare system and Job Seeker's Allowance in context

Historical development of the UK welfare state

The modern welfare state in the United Kingdom has its roots in informal Christian giving; however, over time this has been increasingly taken over by the state (Barr 2004). Early public poor relief was driven by chronic labour shortages and the fear of social disorder in the years after the Black Death of 1348-49. The Statute of Labourers 1351 and the Poor Law Act 1388 saw the state attempt to control wages and labour mobility. The 1576 Poor Relief Act enshrined the concept of 'setting the poor on work' and remained in force for around 350 years (Fraser, 1984).

The 1601 Poor Law Act built on the 1576 Act and required that each parish assume responsibility for its poor, categorising them as: 'the impotent poor' (the old and the sick), the able bodied and those who refused to work. The impotent poor were accommodated in almshouses, the able bodied were given work in a 'house of correction' (later to become residential workhouses), and those who refused work were punished in these houses of correction. This system was in place for nearly two hundred years; however, these locally financed institutions which had been adapted for a pre-industrial economy were unable to cope with population growth, increasing social mobility, industrialisation and economic fluctuations.

By 1795, war and bad harvests had led to food shortages and inflation. Poverty spread from the unemployed to those in work, leading to the adoption of various local solutions such as the Spreenhamland system which supplemented wages with an 'allowance' based on the price of bread (Barr, 2004).

As the Napoleonic Wars ended and soldiers returned, rising prices and unemployment led to the costs of these schemes escalating rapidly. This, combined with the criticisms the institutions had received from writers such as Bentham, Ricardo and Malthus, led to a Royal Commission being established in 1832. 'The Poor Law Report', written by Nassau Senior and Edwin Chadwick, and the Poor Law Amendment Act 1834 were *laissez-faire* in tone and reflected the position of many classical economists of the time. In Senior's opinion, "the great test which must be applied to any project of state action in regard to relief is the question *whether it has any tendency to increase that which is it proposed to diminish*" (Robbins, 1977, P128, emphasis in original). Thus Senior supported the help for orphans, the blind, and the disabled, including provision of medical treatment and hospitals. The Poor Law Report contained three core principles (also known as 'the Principles of 1834"): Less eligibility (the relief should be limited to an amount and administered in such a way that left the recipient worse off than the employed); the workhouse test (relief conditional upon living in the workhouse), and administrative centralisation. The workhouse test was not really a principle but more of a means of enforcing less eligibility.

The Poor Law Amendment Act 1834 followed quickly after the report; however, the implementation of the act was more unpleasant than was the intention of its architects (Bowley, 1937). Many were forced to endure the harsh conditions of the workhouse while many others endured appalling privation to avoid it. Thus, the 1834 Act is often seen as the roots of later development (Barr, 2004).

The next major period of development was the Liberal Reforms between 1906 and 1914. Although comprising a variety of Acts covering education, old-age pensions, health and fiscal policy, the reforms also included the National Insurance Act 1911. Unemployment insurance was the key feature of the Act; however, this was strictly limited to workers earning less than £160 per year, it only applied to a narrow range of industries, and benefits were kept deliberately low to discourage voluntary unemployment (Barr, 2004). Health insurance was also included as it was recognised that sickness and unemployment were interrelated.

The First World War put a halt to most welfare state development barring housing and planning policy. The next major development was the Unemployment Insurance Act 1920 which further expanded the coverage of the National Insurance Act 1911 to more workers and gave an allowance to their dependents in response to the rising unemployment in the post-war period, especially among demobilised soldiers.

As a result of the 1926 Blanesburgh Committee report, the Unemployment Insurance Act introduced two new benefits: Standard benefit, paid as an insurance benefit for an indefinite

duration to anyone who made any contributions; and Transitional benefit, payable to those who did not meet the requirements of the insurance scheme so long as they were 'genuinely seeking work'. Both of these benefits were paid from the insurance fund which came under increasing pressure as unemployment rose.

In 1930, the then Labour Government amended the Transitional benefit by paying it out of general government revenues instead of the insurance fund and also by relaxing the 'genuinely seeking employment' clause. This led to the numbers receiving Transitional benefit doubling within two months, and eventually costing £19 million in the first year (Barr, 2004). This, combined with the 1929 Stock Market Crash and ensuing depression, quickly led to a benefits crisis in 1931 which split the then Labour cabinet. This led to the formation of a National Government. Benefits were cut by 10 per cent from 17s. (85 pence) to 15s. 3d. (76 pence). Standard benefit was limited to 26 weeks and the administration transferred to local Public Assistance Committees (PACs) (Barr, 2004). As well as cuts in benefits, eligibility was tightened although with regional variation, the interpretation of 'genuinely seeking work' became much more stringent, and the PAC administered Transitional benefit was given on the basis of the Poor Law household means test resulting in widespread public anger and many new workers being subject to the Poor Law. Similar to today, according to Barr (2004), the unemployment rate varied between the regions while long-term unemployment was concentrated in a small number of decaying areas.

The Unemployment Act 1934 sought to create, and did in fact achieve, a more effective and standardised system of unemployment insurance. Part I of the Act extended compulsory insurance to more workers, restored benefits to their pre-1931 level, organised contributions so that one-third each came from the worker, the employer and the government, established an independent committee to run the system responsible only for those receiving insurance benefits. Part II of the Act sought to give assistance to those with no cover, or those for whom cover had expired. Cover was paid for from general government funds and operated on a national basis through a new organisation, the Unemployment Assistance Board.

The next, and some would say climacteric stage of development of the British welfare state was from the period 1940 – 48. The 1942 Beveridge Report resulted in the need to prepare for the post-war era. The report had three basic assumptions: that a scheme of family allowances would be established; that there would be a system of universal health-care; and that the state would seek to maintain full employment (Barr, 2004). The 1944 White Paper, *Social Insurance* accepted most of the Beveridge Report's recommendations and these became the basis for the National Insurance Act 1946. Post-war employment policy was Keynesian focused and committed the government 'to the maintenance of a high and stable level of employment' (Department of Labour, 1944) through the use of counter-cyclical deficit spending. Other important Acts at the time include the National Health Service Act 1946 which established the National Health Service (NHS), the National Insurance (Industrial Injuries) Act 1946 which gave financial help to

those injured at work, and the National Assistance Act 1948 which created a universal safety net for those not covered by insurance. The former Assistance Board became the National Assistance Board and assumed all responsibilities, including those of the local PACs leftover from the Poor Law, which were explicitly repealed in the Act (Barr, 2004).

The system of National Insurance remained largely unchanged until 1966 when the National Insurance Board was abolished and replaced with the Supplementary Benefits Commission, with wider discretionary powers. In 1971 a 'Family Income Supplement' was introduced to help working families with children. The Social Security Act 1975 replaced the weekly 'stamp' with an earnings-based contribution from all employed persons, thus enabling redistribution from the higher to lower earners. There was also a wider proliferation of benefits leading to there being over fifty benefits outside national insurance by the early 1970s (UK Select Committee on Tax Credit, 1973, pp47-48).

Deteriorating economic conditions from 1976 again put pressure on the whole benefits system. The 1979 election of Margaret Thatcher paved the way for a series of reforms in what some writers such as Glennerster (2000) and Barr (2004) have called 'attempted retrenchment'. Glennerster and Hill (1998) and Glennerster (2000) argue that although ideology played its part in this, external factors such as successive oil shocks, increasing global pressures and an ageing population were more important drivers of change. These reforms included unemployment benefit being reduced in amount (Atkinson, 1995a), indexation of benefits being tied to prices instead

of wages, and a general movement towards means-testing (Barr, 2004).

In 1996 the government introduced 'Job Seeker's Allowance' (JSA) in an attempt to streamline the benefits system and to address the problem of long-term unemployment. Job Seeker's Allowance comes in two forms: Contribution-based Job Seeker's Allowance or JSA (C) and Income-based Job Seeker's Allowance or JSA (IB). Individuals are eligible for JSA (C) if they have paid or been credited with Class 1 National Insurance (NI) Contributions. JSA (IB) is based on income and savings, and is for claimants who have not made enough National Insurance Contributions (NICs), paid only contributions for being self employed and are on a low income (DWP, 2009). The Department for Work and Pensions has since conducted various studies into JSA and a recent report, by Carpenter (2006) entitled 'Research Report No. 394: Repeat Job Seeker's Allowance Spells' identified the problem of 'recycling' of individuals between JSA and short-term employment. The report proposed a number of contributing factors based on a survey of repeat JSA recipients. The full results of this report will be discussed in Chapter 3.

The 1997 election brought New Labour to power with the aim of pursuing a third way between the efforts of the 1960s and 1970s which focused on coverage and adequacy, and those of the 1980s which focused on efficiency, labour-market incentives, and fiscal constraint (Barr, 2004). New Labour introduced the 'New Deal' in 1998 as a programme of Active Labour Market Policies (ALMPs) similar to those traditionally seen in Scandinavian nations. The New

Deal has comprised six different sub-programmes designed to help key : New Deal for Young People (NDYP) for people aged 18-25 and unemployed for six months or longer, New Deal 25+ for adults aged over 25 and unemployed for eighteen months or longer, New Deal for Lone Parents which seeks to help lone parents with school age children back into employment, New Deal for the Disabled which supports individuals on incapacity benefit to return to work, New Deal 50+ for those aged 50 and older, and New Deal for Musicians for unemployed musicians. These are set to be replaced by the Flexible New Deal from October 2009 which seeks to give more appropriate advice and support to jobseekers.

The recent academic debate has increasingly focused on more individual focused and the customisation of benefits. In 2008, the DWP commissioned Professor Paul Gregg to examine personalised conditionality, i.e. setting specific conditions for benefit recipients to meet before benefit payments are made, for example, attending particular educational courses. Gregg concludes that what would best be put in place is a system where individuals receiving benefits should be required to engage in activities that will help them move towards, and then into employment. Also, that they should have a clear understanding of what is expected of them and the consequences of failure. Finally, that they should be able to access a wide range of personal support based on need, not on the type of benefits they receive.

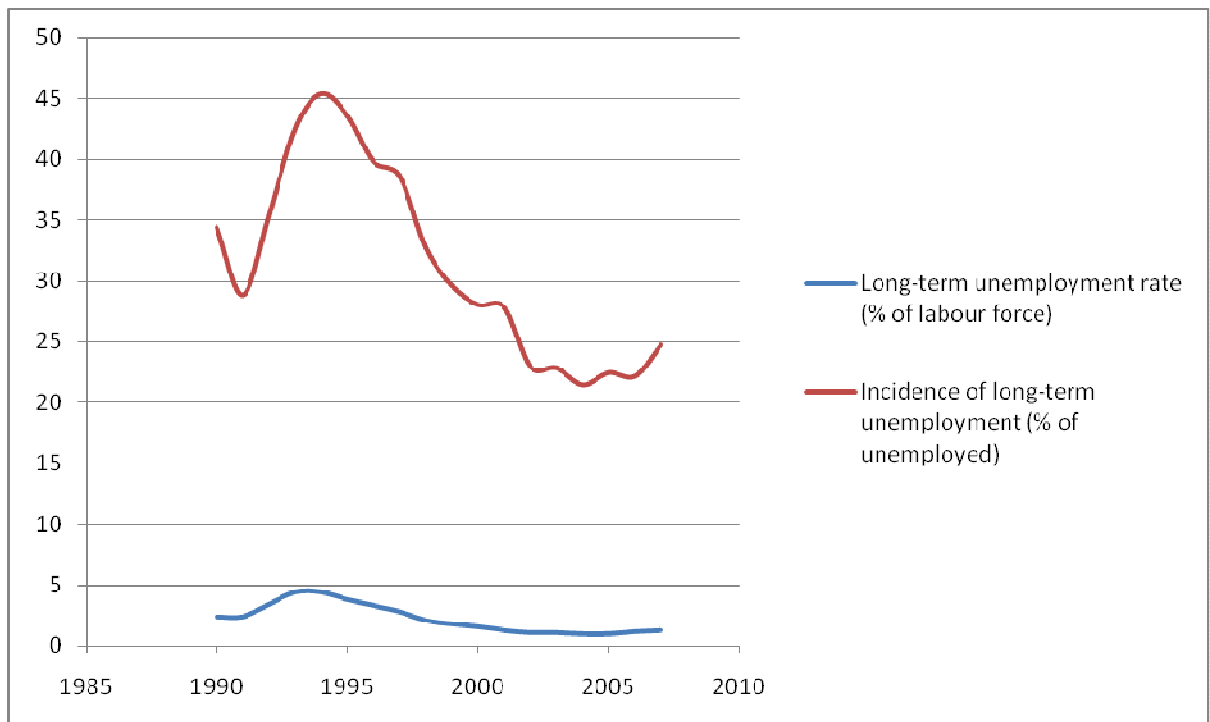
On 10 December 2008, the DWP published its white paper: *Raising expectations and increasing support: reforming welfare for the*

future, following on from its green paper: *No one written off: Reforming welfare to reward responsibility* (DWP 2008). This white paper put forward numerous radical steps such as a single income-replacement benefit for people of working age, devolving more power to private and voluntary welfare providers, personalised conditionality, more help for the disabled and lone parents, stronger sanctions for benefit fraud, more help for drug addicts, and further steps aimed at ending child poverty by 2020. Gregg's 2008 *Realising Potential: A Vision for Personal Conditionality and Support* is also discussed in the white paper and its recommendations feed through into many areas of the white paper.

Recent trends

As seen in Graph 1.1 below, recent trends in OECD data suggest a long-term decline in the LTU rate as a % of the unemployed. Despite these declines, the figures still suggest that on average around 2% of the labour force has remained LTU.

Graph 1.1: Long-term unemployment rate and Incidence of long-term unemployment in the UK: 1990 - 2007



Source of data: OECD Labour Force Statistics.

The academic debate

Key recent academic works include Esping-Anderson (1990) argue that there exist three different types of welfare regimes with different underlying premises and doctrines which he labelled 'conservative', 'liberal' and 'social democratic'. The 'conservative model', as found in Germany, France, Austria and Italy is characterised by occupationally segregated social-insurance programmes. The 'liberal', as found in the United States and Canada, and increasingly the UK, is characterised by catering to the needs of working classes and the poor, with the middle classes seeking private insurance and occupational benefits. Finally, the 'social democratic', as found in Scandinavian countries which provided benefits designed for the preferences and expectations of the middle class, while retaining a

universalism of rights. These promote inclusivity and the prevention of social marginalisation.

Fitzpatrick (2001) identifies four key welfare ideologies: 'The radical right', 'conservatism', 'social democracy' and 'Marxism'. The radical right is identified as those with a commitment to economic liberalism and to moral conservatism. The radical right is highly hostile to the welfare state believing it to "weaken the economy and sap the morality of society" (Fitzpatrick 2001 Pg. 121). Pierson (1998 summarised in Fitzpatrick 2001) argues that the radical right is also hostile to the welfare state for reducing the rewards of success and lightening the burdens of failure, crowding out of the private sector, having a monopoly on the provision of welfare services leading to market distortions and inefficiency, misidentifying the nature and causes of poverty, creating a 'dependency culture', being a slippery slope from a nanny state to an autocratic dictatorship, and that it stresses rights and entitlements over duties and responsibilities. Fitzpatrick argues that conservatism is broadly supportive of state provision of welfare services, especially in the field of 'one-nation conservatism' which is committed to national unity and class consensus. Social democracy, Fitzpatrick argues, is the belief that "an enabling, redistributive, managerial state is required...to create high levels of employment and ensure that the national wealth is distributed fairly" (2001 Pg. 128). Lastly, Marxist theorists are critical of the welfare state, viewing it as part of the 'ideological state apparatus' (ISA) which helps to secure support for capitalism from the poor and exploited, the very people with most to gain from capitalism's abolition.

Fitzpatrick, in this 2005 work, *New Theories of Welfare* discusses the ideological roots of many ideas about welfarism and the continued debate between conservatives and social democrats as to human nature and what the role of the state should be, given their theory of human nature. Fitzpatrick later goes on to discuss the possible new role of genetics in social policy; for example, in genetic screening.

Clasen (2005) describes the increasing use of 'welfare-to-work' or 'activation' policies and schemes which seek to aid the transition from unemployment benefits into paid employment such as the introduction of Job Seeker's Allowance in 1996 and the New Deal in 1998. This new approach has itself generated new issues and areas of discussion which will continue in later chapters.

This history of the UK welfare state and examination of the recent academic debate help to frame the theoretical and ideological debate around which the welfare state in the UK has evolved: a continuous tension and cycle between expanding coverage to help the poor and unemployed, and retrenchment to prevent dependency and waste.

Chapter 2

Contributing factors to long-term unemployment

This chapter will examine the contributing factors to long-term unemployment (LTU), i.e. unemployment of longer than 12 months as defined by the OECD. These factors will be examined by addressing demand-side factors and supply-side factors in the labour market and how these interact leading to LTU.

According to the Department for Employment and Learning in Northern Ireland, LTU is determined by employability and:

“For the individual, employability depends on:

- The knowledge and skills they possess, and their attitudes;
- The way personal attributes are presented in the labour market;
- The environmental and social context within which work is sought; and
- The economic context within which work is sought” (DELNI, 2002).

These claims are very interesting and agree with what one would intuitively assume to be some of the key factors in determining LTU. Let us now discuss these factors.

Labour market demand-side factors:

De-industrialisation and wider structural issues

Bazen and Thirlwall (1989) argue that deindustrialisation since 1966 has been a major driving force behind increasing levels of unemployment. They noted that between 1966 and 1979 over two million jobs were lost in manufacturing. The small increase in the

size of the service sector and an increase in the size of the labour force led to unemployment rising by over one million. Between 1979 and 1983, manufacturing again lost 1.7 million jobs and unemployment rose by a similar amount in this time. Using '*Kaldor's growth laws*', Bazen and Thirlwall also point to the decline of manufacturing having wider negative implications for economic growth. The first of Kaldor's growth laws is that there is a strong positive relationship between the growth of manufacturing and rate of growth in an economy as a whole. The second law, also known as '*Verdoorn's Law*', is that there is a strong positive relationship between the growth of manufacturing output and the growth of productivity in manufacturing. The third law states that there is a strong positive relationship between the rate at which manufacturing output and employment grows, and the rate at which productivity grows outside manufacturing, because resources are used which would otherwise be unemployed or have a lower productivity (Bazen and Thirlwall 1989). The cumulative effect of these laws is that under the right conditions, a strong manufacturing sector will drive forward growth. Inevitably, the opposite is also true: a vicious circle of low economic growth, low productivity growth, declining competitiveness and the shedding of labour from the manufacturing sector due to a lack of domestic and foreign demands for the products produced can also occur, which is arguably the case in Britain (Bazen and Thirlwall 1989). This will inevitably lead to much higher levels of unemployment and thus LTU, especially as former industrial workers struggle to adapt to new roles in the private sector.

Due to de-industrialisation and other factors, there have also emerged pockets of severe deprivation in the UK which suffer from a high percentage of LTU and widespread worklessness. Since 2000, the Social Disadvantage Research Centre (SDRC) has produced three English Indices of Deprivation for Communities and Local Government to aid the allocation of resources for neighbourhood renewal (Communities and Local Government, 2008). Under the English system, the Index of Multiple Deprivation 2007 (IMD 2007) which forms part of the Index of Deprivation 2007 is based on the small area geography known as Lower Super Output Areas (LSOAs). LSOAs have between 1000 and 3000 people living in them with an average population of 1500 people. In most cases, these are smaller than wards, thus allowing the identification of small pockets of deprivation. There are 32,482 LSOAs in England. The LSOA ranked 1 by the IMD 2007 is the most deprived and that ranked 32,482 is the least deprived. The IMD brings together 37 different indicators which cover specific aspects or dimensions of deprivation: Income, Employment, Health and Disability, Education, Skills and Training, Barriers to Housing and Services, Living Environment and Crime. These are weighted and combined to create the overall IMD 2007 (Communities and Local Government, 2008). The results show that pockets of severe deprivation and LTU co-exist in many areas formerly dominated by industry such as coal or slate mining, steel-making, ship building, cotton weaving, and associated trades. This includes north Wales (a former slate mining area), the Welsh Valleys, County Durham and South Yorkshire (form coal mining areas), Tyneside and the Clyde, Glasgow (form shipbuilding and steel making areas), Birmingham (former vehicle building city), East Lancashire (former

cotton weaving area) and Bradford (former wool producing area with associated industries). The evidence thus supports de-industrialisation of areas that were formerly dominated by concentrated industry as being key to LTU and other social problems. These areas have thus suffered as a result of the decreasing demand for labour.

The mechanisation of previously labour intensive industrial and production processes and/or the displacement of labour by artificial intelligence has been seen by some commentators such as Postal-Viney (2002) as being important to the debate on what has come to be known as 'technological unemployment'. Postal-Viney examined OECD data going back the 1970s and concluded that there existed short- and long-run "Schumpeterian" effects of technological change. In the short-run, technological change can have positive effects on employment. In the long-run however, Postal-Viney concedes that faster technological change accelerates job obsolescence which reduces the equilibrium level of employment (Postal-Viney 2002). This would undoubtedly lead to LTU as workers skill-sets and training are made completely obsolete across the entire labour market. They would then be forced to spend long periods of time re-training to either move into a different industry or to master the higher-level technical skills demanded of those working in the same sector.

Freeman (2008) has concluded from analysis of various sources of data that a factor contributing to economic performance and thus levels of employment are labour market institutions. This includes institutions involved in wage-setting such as trade unions,

employment protection legislation and the law around employment contracts, regulations for employing labour, social security regulations and spending. However, Freeman discovers that regulations have little effect on the overall level of aggregate unemployment (Freeman 2008 p. 22). Only wage-setting to an intermediate level will lead the economy to produce high wages and unemployment (Freeman 2008 p. 23), and that “in a study that takes account of many of the criticisms of earlier cross-country time series data, Bassanini and Duval (2006) estimated that changes in tax and labour policies explain about half of 1982-2003 changes in unemployment among countries, with tax policies playing a particularly important role” (Freeman, 2008, Pg. 22). Freeman also argues that the data suggest labour market institutions such as the minimum wage have no conclusive effect on efficiency or unemployment, but have a well-defined impact on income distribution with nations such as the US with few such institutions having the broadest range of income distribution (Freeman, 2008).

Discrimination

Blanchard (1996) found that in tight labour markets firms will not discriminate against the long-term unemployed, but in depressed labour markets, they will. This discrimination exists because over time workers will lose skills. The short-term unemployed therefore do not require any training before taking up work, however, the long-term unemployed will cost more to employ by the firm. Blanchard calculated that if unemployment rates are below 10%, firms do not discriminate against the long-term unemployed. However, as unemployment exceeds this level, firms begin to discriminate, for

example if unemployment rate is 20%, the chance of the long-term unemployed being hired drops to only 57% (Blanchard, 1996, P.10).

Blanchard's findings are very interesting and could be applied on a micro-economic level, i.e. the long-term unemployed in areas with already high levels of unemployment will face higher levels of discrimination by employers who only seek workers who still have up-to-date work skills. Recent UK economic figures will also be of concern. As the recession continues through 2009, the employment rate for April to June decreased to 72.7% and the official unemployment rate for this period rose to 7.8%, and seems to be continuing on an upward trend.

Despite Blanchard's mathematical predications, *ceteris paribus*, one would assume that at any level of unemployment, the long-term unemployed would always face discrimination on the grounds of having lost their skills.

Labour market supply-side factors:

Educational issues

Research suggests a major barrier to gaining employment lies in education and skills issues faced by the unemployed, i.e. that they lack the qualifications or level of education required, and/or lack the marketable skills required to carry out the jobs in the UK labour market.

Clark and Layard (1989) argued that unemployment is created by a "mismatch" between job vacancies and the unemployed. This

mismatch is due a lack of relevant skills or changes in the skills needed by companies.

Evidence for mismatch can be found in recent figures suggesting widespread educational failure. Disturbing figures are easy to come by with the 2008 GCSE pass rate of 65.7% at grades A* to C. This means that with the overall pass rate of 98.2%, 32.5% of GCSE passes were below grade C. Given that educational standards are seen as a proxy for ability, effort and knowledge learnt, this means 32.5% of school leavers are failing to achieve basic levels of education.

Levels of illiteracy and innumeracy will also play a part in long-term unemployment, especially as job roles become increasingly complex. According to UN figures, the UK has a 99.0% adult literacy rate (% aged 15 and older from 1995 – 2005) (UNDP, 2008). However more accurate figures have been collected by the Department for Education and Skills. Table 2.1 below shows that, although only 3% of the workforce could be described as illiterate, 16% of the workforce, or 5.2 million people have only entry levels of literacy, i.e. equivalent to a primary school leaver.

Table 2.1: Literacy levels among 16 to 65-year-olds in England

Level	%	Number	Equivalent to
Entry level 1 or below	3	1.1m	National curriculum level 1
Entry level 2	2	0.6m	Level expected of a seven-year-old (national curriculum level 2)
Entry level 3	11	3.5m	Level expected of an 11-year-old (national curriculum levels 3-4)
(All entry level or below)	16	5.2m	
Level 1	40	12.6m	GCSE grades D-G (national curriculum level 5)
Level 2 or above	44	14.1m	GCSE grades A-C (national curriculum levels 6-8)

Source: Skills for Life national needs and impact survey, DfES, 2003

Although these figures are unlikely to correlate with those for LTU due to some elementary roles not requiring literacy or numeracy, the figures still suggest that at least 16% of the workforce is excluded from most intermediate level roles, for example, working in a call centre or as a cashier in a bank.

Physical and mental health issues

Evidence seems to suggest that not only are physical and mental health issues a contributing factor to LTU, unemployment and forced idleness themselves also create health issues. In the words of Fineman (1990, Pg. vii), “A life-drama unfolds as joblessness snaps the threads of personal relationships and tosses individuals to the margins of society”. As Fineman later explains, we so often identify ourselves individually and collectively by our employment, and we use it to define our success, status, solidarity and sanity. In his 1986 study of the unemployed in Birmingham, Fineman found that psychological problems and psychosomatic illnesses were commonly diagnosed amongst the long-term unemployed (1990, Pg. 21). Using various sources including *The Health Divide* by Whitehead (1987), he concludes:

1. “The unemployed generally have poorer physical health than the employed. This includes more diseases of the heart and respiratory tract.
2. There is a higher death-rate amongst the unemployed.
3. Suicide and attempted suicide is greater amongst the unemployed.
4. In the period leading up to job loss, and subsequent to the event, the unemployed may make more visits to the GP. The threat of job loss is particularly stressful.
5. For most people, psychological health deteriorates during unemployment, and picks up on re-employment; but sometimes not without leaving psychological scars. A minority of people show gains in mental health following unemployment.
6. Unemployment can lead to family tension, marital stress, and difficulties for children. The wife of an unemployed breadwinner has to continue to management of the family on much slimmer resources, while also adjusting to a shift of roles in the family. She may also have to take up a poorly paid job to supplement the family’s income. The role change for the

bread-winner can be difficult too: coping with a loss of status and identity.

7. Regular social and emotional support from relatives and friends helps to ease the stresses and practical difficulties of life. The unemployed have few such contacts.
8. The unemployed, particularly the long-term jobless, have very high rates of smoking, and many unemployed men drink to levels which endanger health" (Fineman, 1987, Pg. 24).

More recently, Elaine Kempson's (1996) study funded by the Joseph Rowntree Foundation into the effects of poverty and social exclusion found that health was likely to be compromised by the unemployed and those on low incomes cutting down their use of fuel and water. The use of pre-payment meters to budget is seen to contribute further to this as the costs were higher and there existed the ever present danger of running out of money to feed the meter. The increased use of water meters was also leading to people avoiding using water even for essential purposes. Finally, the recession of the late 80s/early 90s had led to many evictions with many families being re-housed in damp and unhealthy accommodation on crime-ridden estates. This inevitably took its toll on physical and mental health (Kempson, 1996).

This evidence suggests that once unemployed, individuals are far more likely to suffer physical and psychological health issues which affect their employability, and thus lead to an increased risk of being trapped in LTU.

Suffering from a long-term disability also seems to play a major role in creating and maintaining unemployment. For example, Oppenheim and Harker (1996) suggest that high rates of poverty

amongst the disabled are partly due to labour market exclusion and marginalisation. This is echoed by Alcock (1997) who believes that exclusion is caused by a society which discriminates against those with a disability: through active discrimination or by failing to provide the necessary facilities and resources. Alcock says:

“In the case of disability it is very much a case of non-reaction leading to problems for persons with disabilities. Modern industrial societies, and even modern welfare states, have largely been constructed on the basis that the people who inhabit them, who produce and reproduce them and benefit from them, are able-bodied. This is true of workplaces, public and private buildings, transport systems, information and telecommunication networks, retail outlets – indeed almost all venues for social interaction” (Alcock, 1997 cited in Haralambos and Holborn, 2004).

These assertions are further supported by the work of Agulnick *et al.* (2002), who calculated that, between the mid-1980s to the late 1990s, on average around 40% of all disabled persons were unemployed. This was far higher than the average figures of unemployment amongst able-bodied persons at the time.

Incentive issues

It has been argued that, by providing welfare benefits such as Job Seeker's Allowance, the government not only reduces the incentives for saving and thus capital accumulation, but also creates moral hazard (Barr, 2004) and the problem of welfare dependency. One of the arguments is that a high replacement rate, i.e. the ratio of income received when unemployed compared to post tax and transfer income in work, will lead to those in low paid employment being worse off than those on benefits thus creating an 'unemployment trap' whereby unemployed individuals have little incentive to actively seek work instead of remaining on benefits.

The Department for Social Security (the DSS, the fore-runner of the Department for Work and Pensions) summed it up thus: 'When increases in benefits narrow between in-work and out-of-work incomes, work becomes less attractive; the effect is to encourage dependency,' (DSS, 1997, Pg. 52). In 2000/2001, the DSS found that 7% of the workforce faced replacement rates of 70% and over with Income Support (IS) (DSS, 2001, Pg. 13).

The argument that high replacement rate dis-incentivises is not without its problems. There are statistical problems; for example, individual labour supply is often a function of household joint decisions; measurement problems, i.e. the interaction of tax and benefit systems makes it difficult to estimate benefits accurately; unobserved individual characteristics may influence both the level of benefit and the probability of accepting a particular job offer, e.g. if I am lazy (an unobserved individual characteristic), I may have a poor employment history and be less keen to accept a new job (Barr, 2004).

Another strand of research (Atkinson and Micklewright, 1991; Layard *et al.* 1991; Atkinson 1995a) uses a wider spectrum to examine the institutional differences that may explain why some countries experience higher levels of LTU. They focused on three aspects of the labour market:

1. Other aspects of the benefit system other than the replacement rate, e.g. the maximum duration of benefits, qualification conditions for benefit, the proportion of the unemployed receiving benefit, and the stringency with which the 'actively-seeking-work' condition is enforced.

2. What active labour market policies are in place? E.g. counselling and placement services, training and job creation.
3. What is the structure of the labour market? E.g. the power of trade unions and the extent of centralised wage bargaining.

Atkinson *et al.* reached the conclusion that although the replacement rate does contribute to the problem, participation in the labour market is also influenced by other aspects of the benefit system, especially the maximum duration for which benefit can be received (Barr, 2004).

Others concur that the duration of benefits is important. Walsh (1987) argues that , “the amount of time for which benefits are paid is an altogether more important potential determinant of unemployment duration patterns” (p. 78). Walsh gives support to this argument with statistics from Belgium which at the time paid unemployment benefits indefinitely, and consequently had the worst record for LTU with 58.9% of all unemployed being so for longer than 12 months. He contrasts this with the USA which had the weakest benefit support, and also the lowest proportion of LTU. Thus he concludes that LTU has a strong correlation with benefit direction.

Academics such as the American sociologist Charles Murray argue that the provision of generous welfare benefits not only creates ‘welfare dependency’, but can in fact lead to the creation of an entire underclass. He writes:

“When I use the term ‘underclass’ I am indeed focusing on a certain type of poor person defined not by his condition, e.g. long-term

unemployed, but by his deplorable behaviour in response to that condition, e.g. unwilling to take the jobs that are available to him...Britain has a growing population of working-aged, healthy people who live in a different world from other Britons, who are raising their children to live in it, and whose values are contaminating the life of entire neighbourhoods...for neighbours who do not share those values cannot isolate themselves" (Murray, 1989 cited in Haralambos and Holborn, 2004, p.268).

Murray also links this 'deplorable behaviour' with increasing criminality (discussed later in this chapter) and illegitimacy amongst this underclass. According to Murray therefore, the problem rests with the sub-culture and attitudes which creates an unwillingness to work and that, while in older generations of working class males there was an understanding of the stigma attached to receiving benefits, younger males were happy to live off welfare handouts. Murray found:

"talking to the boys in their late teens and early twenties about jobs, I heard nothing about the importance of work as a source of self-respect and no talk of just earning enough income to be free of the benefit system" (Murray, 1989 cited in Haralambos and Holborn, 2004, p. 269).

Murray returned to the UK in 1993 and 1999 and argued that the problems of a growing underclass were getting much worse (Murray 1993, 2001). Although overall unemployment was down between 1989 and 1999, amongst 18-24 year old males it had increase from 20.5% to 31.2% (Murray 2001). He also found that violent crime had increased to levels surpassing the US, and rates of illegitimacy had increased to levels near to those of the US.

He concludes:

"Over the last two decades, larger and larger numbers of British children have not been socialised to norms of self-control, consideration for others, and the concept that actions have

consequences” (Murray 2001 cited in Haralambos and Holborn, 2004, p. 270).

Charles Murray is not without his critics. Walker (1990) argues that Murray’s claims blame the victim, are supported by inadequate evidence, and that Murray relies upon ‘innuendos, assertions and anecdotes’ (cited in Haralambos and Holborn, 2004, Pg. 270). Walker argues that, rather than having their own subculture of dependency, most of the so-called underclass has conventional attitudes; they want stable relationships and paid employment. It is not their values that prevent this, but a lack of opportunities due to failures of government policy (Walker, 1990), i.e. a lack of training and welfare-to-work opportunities.

Heath (1990), using information from the British Election Survey of 1987 and the British Social Attitudes Survey of 1989, tested the claim that attitudes of the underclass are different. He found that 86% of the underclass said they would like to have paid employment compared to only 57% in those families where at least one person was in paid employment (Heath, 1990). He also found that the underclass had similar attitudes to marriage as ‘normal’ people with 22% agreeing that ‘married people are generally happier than unmarried people’ compared to 25% in employed family units. However, they were less likely to agree ‘people who want children ought to get married’ with 47% vs. 64% (Heath, 1990).

Alcock (1994) criticised Murray following his 1994 article. Alcock believes Murray makes sweeping generalisations about the negative effects of single parenthood. Alcock argues: “Most of the

unemployed, the perpetrators of crime and the cohabiting (or not) parents of illegitimate children come from what must appear from all the evidence to be stable, married, family relationships” (Alcock, 1994, cited in Haralambos and Holborn, 2004, Pg. 272).

In addition to this, Alcock argues that individuals do not make decisions based solely on economic grounds. This viewpoint counters Murrays claim that by reducing benefits individuals will immediately want to, or even be able to take up paid employment. As Alcock explains, “first-year sociology students soon learn that all the decisions we make, or think we make, are structured by a range of social, cultural and economic forces within which we move but without which we cannot step” (Alcock, 1994, cited in Haralambos and Holborn, 2004, p. 272).

Given what Alcock suggests, it could be argued that individuals cannot be fully blamed for their actions. That although what may appear to be a display of rational rent-seeking behaviour when for example workers trade poorly paid employment for benefits with a high-replacement rate. That they may in fact be doing is simply acting out the deterministic outcome of their socialisation. As Murray has effectively argued, when a sub-culture exists that does not place a priority on gaining paid employment, individuals who are part of that sub-culture will simply be victims of it and other circumstances such as a poor education system or perverse incentives created by the welfare state and economic system. Given the evidence presented on either side of the agency/structure debate, the present author would be tempted to take a line between the extremes: that despite being surrounded by various influences in

our culture and day-to-day interactions, unless we have been socialised to be completely whimsical and to act by caprice alone, it is still ultimately up to each and every one of us as to how we react, i.e. that even if we are surrounded by individuals who place little value on personal responsibility, a person could still make a rational decision to try to find work. Sub-culture presents no proverbial gun to his head saying he *must* avoid work. Given this, society and the state must be clear in its intentions and ensure that there are no perverse incentives; that all roads ultimately lead to work and that being LTU is not a possible lifestyle choice.

Search behaviour

Walsh (1987) said of job searches:

“Of course this prolonged job search might not necessarily be a negative factor. The more thorough search might mean that the person finds more suitable employment that does not result in repeated spells of unemployment simply because jobs are discovered to be unsuitable after a short while. Equally there might be advantages for employers in getting the right people. So, the compensation paid to the unemployed in thorough job search might be money well spent if it helps to make the labour market more efficient.” (Walsh, 1987, Pg 80).

This argument is relevant to both LTU and repeat JSA claims, and makes a strong case for there being the facility for job seeker's to spend an extended period seeking the most suitable employment. This would, in theory, reduce the incidence of 'mismatch'. However, this raises question of where to draw the line; are benefits to be

received indefinitely until the 'perfect' job comes along? Also, what if a worker has just lost his/her job from the last pottery in the UK thus making his skill-set obsolete; is s/he to wait until a new pottery opens before s/he can again work in that specialised field? Despite Walsh's argument, it might be argued that the unemployed must have some degree of flexibility when seeking new work, and the longer they have been unemployed, the more flexible they should have until the point where they should accept any job offered to them.

Åberg (2001) argues that most of all getting a job is associated with relative qualifications, recall expectations and local labour market conditions and not with search behaviour or high wage demands.

Geographical mobility

It could be argued that a major factor contributing to LTU in the UK, especially outside of London and the south east is unreliable, slow and expensive public transport. This reduces labour mobility and results in the unemployed being unable to travel to possible work opportunities, and thus become LTU. Below (Table 2.2) is a simple comparison of the neighbouring UK districts of Pendle and Craven. Pendle is poorly served by slow Class 142 ‘Pacer’ Diesel Multiple Units (DMUs) which are over 20 years old running on the single East Lancashire Branch-line which can only accommodate an hourly service. Craven is served via the Airedale Line using high-speed modern Class 333 Electric Multiple Units (EMUs) introduced in 2000.

Table 2.2: Comparison of journey times and claimant counts

From	Journey time to Leeds via rail	Journey time to Manchester via rail	Claimant count	% of working age population
Borough of Pendle	2 hours 49 mins with 2 changes	1 hour 51 mins with 1 change	2,045	3.7
Borough of Craven	40 mins with no changes	1 hour 48 mins with 1 change	644	2

Source: Network Rail and the ONS (2009)

The difference in journey times and the claimant count is stark and suggests a strong relationship between geographical mobility and unemployment in this case. However, further research would be needed to confirm the validity and reliability of this relationship.

Summary

This chapter has examined the labour market demand and supply side factors contributing to long term unemployment in the UK. This has included examining the effects of skills and education levels, physical and mental health issues, incentive issues, search behaviour and geographical mobility.

Conclusion

What comes out of the literature is a complex interaction between many of these factors and issues which conspire to create barriers to employment for the long-term unemployed. Even though one of these barriers could make employment less likely, two or more factors, and especially a long-term physical or mental health issue could make employment near impossible.

LTU and recycling

Chapter 3 of this work will examine the factors contributing to 'recycling', many of which are closely related to those contributing to LTU.

Chapter 3

Contributing factors to the ‘recycling’ of Job Seeker’s Allowance claimants

‘Recycling’

Between 1 July 2003 and 30 June 2004, 1,152,330 individuals who claimed Job Seeker’s Allowance had made at least one claim in the preceding four years: this is 54% of all JSA claimants. The average number of previous claims in these four years was three claims with a mean average length of three months. The level of recycling has been extremely worrying with an “increasing concentration of unemployment within a challenging client group who repeatedly claim JSA without finding sustained employment between claims; the majority of those commencing a new JSA claim are repeat claimants (54 per cent between July 2003 and June 2004)” (Carpenter, 2006). The problem known as ‘recycling’ has not been widely researched in the UK. The majority of useful data can be found in Carpenter (2006) in her DWP Research Report No. 394 entitled ‘Repeat Job Seeker’s Allowance Spells’. This report, a survey of many repeat claimants, yielded a great deal of valuable information regarding repeat claimants including the data in tables 3.1 and 3.2:

Table 3.1: Summary of repeat claimant population

Number of previous JSA claims in last four years:	%
One	33
Two	22
Three-four	25
Five or more	20
Whether been on DWP programme in the last four years	38
Whether been on other (non-JSA) benefit in the last four years	26

Base: Repeat claimants who made a claim between July 2003 and June 2004

1,152,330

Source of data: Carpenter (2006).

Table 3.2 Age and gender profile of repeat claimants, compared with Jobseeker's Allowance flows as a whole

Gender	Repeat claimants (%)	JSA flow population (%)
Male	75	72
Female	25	28
<u>Age</u>		
Under 25	27	38
25-49	58	49
50+	15	13

Source of data: Carpenter (2006).

This survey also identified two common scenarios for temporary work: the first is where the individual's work history and other barriers restrict them to temporary, low skilled work; and the second is that despite having better employment prospects, the individual has become trapped in a cycle of temporary employment (Carpenter, 2006).

This chapter will examine this key problem of 'recycling'. It will do so by examining the demand-side factors and supply-side factors in the labour

market, and how these interact leading to workers becoming trapped in this cycle temporary employment.

Carpenter (2006) found three patterns common among repeat claimants:

- A cycle of temporary work interspaced with periods on JSA. Many repeat claimants moved into work fairly quickly, but only into temporary employment.
- Longer-term unemployment. This was in some cases prompted by redundancy but also relates to employment background: those with a history of unemployment tended to remain unemployed, and this is often compounded by a lack of qualifications and confidence in finding work.
- Health problems and/or disabilities were also likely to cause long-term absence from the labour market.

The report also identified all those who had made a repeat claims for JSA in 2003 (1,152,330 individuals). These were then put into groups based on a number of factors (see table 3.3 and 3.4 below):

Table 3.3: Group definitions for repeat JSA claimants

Group	Number of claimants	% of total	Description	Number of previous JSA spells	Spells on other benefits	DWP programmes
1	100,236	9	Long time on other programmes	One or more	No	Yes, more than one year
2	197,290	17	Short time on other programmes	One or more	No	Yes, less than one year
3	142,588	12	Programmes and other benefits	One or more	Yes	Yes (Any)
4	154,747	13	Other benefits	One or more	Yes	No
5	302,932	26	More than one previous JSA claim, no programmes or other benefits	Two or more	No	No
6	254,537	22	Just one previous JSA claim, no programmes or other benefits	One only	No	No

Total: 1,152,330

Source: Carpenter (2006)

Table 3.4: Profile of groups: Repeat JSA spells

Column percentages	Total	Long time on programmes (Group 1)	Short time on programmes (Group 2)	Programmes and other benefits (Group 3)	Other benefits (Group 4)	Two or more previous claims (Group 5)	One previous claim (Group 6)
Number of previous JSA spells							
1	33	10	20	15	35	0	100
2 - 4	47	51	55	42	47	78	0
5 - 10	18	35	23	20	17	20	0
11 +	2	4	1	3	2	2	0
Mean number of JSA spells	3.0	4.5	3.4	4.0	2.9	3.6	1
Mean total number of months on JSA	12	27	16	20	7	9	3
Mean length of individual JSA spells							
Less than 12 weeks	46	12	20	21	55	65	66
12 weeks - less than six months	32	37	43	40	31	27	23
Six months - less than one year	16	29	28	26	11	7	8
One year or more	6	23	9	13	3	1	2
Base: All repeat claimants (1,152,330)							

Source: Carpenter (2006)

Using this preliminary data, we can begin to explore the factors which conspire to create a cycle of repeat JSA claims.

Labour market demand-side factors:

De-industrialisation and structural change

72% of respondents in Carpenter (2006) who made three or more JSA claims said that the reason for the multiple claims was that they had not been able to find 'suitable' work. The problem therefore appears to be the kind of work available rather than not being able to find work at all.

67% moved into work when their last JSA spell ended, and the 41 were in work at the time of the survey. This work was, however, not sustained employment and Carpenter identified a strong link between temporary employment and repeat JSA claims: 41% of those with three or more claims said that a main reason for the repeat claims was that they could only get temporary work, and 33 per cent of respondents said the reason they last left employment was because a temporary job had ended. Only 53 per cent said that their most recent job was permanent (Carpenter 2006). The reason for these results may be the changing structure of the UK economy as discussed in Chapter 2, i.e. there being a move away from low-skilled manual jobs in manufacturing and industry, and a move away from full-time permanent positions towards more flexible working practices which allow firms to take on or let go of labour according to their demand for labour at the time. This reduces the firm's costs and thus makes them more competitive; however, this will have inevitable social costs for those who are frequently taken on then made redundant. These individuals will have no choice but to claim JSA between periods of temporary work.

Discrimination

Although illegal and in the opinion of the present author, morally wrong, Carpenter (2006) found evidence of discrimination on the grounds of age, health, disability and race: 24% of respondents said that they were unlikely to get a job because of their age; 74% of those fifty years old and over believed their aged made it unlikely they would get another job. Also, concerns about 'other people's prejudices' was expressed regularly by non-white respondents, and those with health problems and/or disabilities (p. 50).

These figures are of great concern as social groups which may already suffer social marginalisation are also being economically marginalised. Further research would be required to ensure greater validity to the claim that repeat claimants are being discriminated against because of their age, race, or state of physical and mental health and to establish that these figures are not the result of a misplaced sense of victimhood. Such research would however be difficult to achieve as employers would not wish to be labelled 'racist', even if they are.

Labour market supply-side factors:

Educational issues

As seen with long-term unemployment, a lack of education is also prominent in repeat JSA claims. Carpenter (2006) has found that repeat claimants without qualifications and with basic skills needs had more difficulty in finding sustained work. Of repeat claimants, 23% had no qualifications and 17% had literacy and/or numeracy problems. This lack of marketable skills and/or qualifications therefore appears to be a major factor leading to LTU and/or repeat JSA claims. It limit jobs applicants to roles that require only basic

manual skills, thus making good levels of physical and mental health even more important. Given the changing structure of the UK economy such as de-industrialisation and the move towards an information-based economy and the increase in high-tech jobs discussed earlier, the employment opportunities open to unskilled and uneducated workers may continue to decline.

The 2009 IPPR report “Nice work if you can get it” has however argued that lacking qualifications is not in any way a barrier to employment as the projected number of low-skilled jobs which require no qualifications to enter (7.4 million) will be the same in 2020 as it was in 2006. The number of economically active adults with no qualifications seeking these jobs is around a third of this figure.

Criminal history

Carpenter (2006) found that 8% of repeat claimants reported problems with crime. This may present itself as a barrier to employment as employers will inevitably prefer ‘trustworthy’ and ‘dependable’ individuals. However, under the provision of The Rehabilitation of Offenders Act 1974, job applicants do not have to disclose certain convictions after a certain period of time, i.e. after they have become ‘spent’. Depending on the nature of the offence, some roles would be completely ruled out, i.e. an individual convicted of a sexual offence would not be able to get a role working with children and other vulnerable individuals.

What could present a problem to individuals with a criminal history is explaining a gap in their work history if they served a custodial sentence. This may require explanation to the employer during application or at interview, and would most likely reduce their chances of gaining employment.

Work history

As well as being repeat claimants of JSA, respondents in Carpenter (2006) demonstrated difficulty in holding down employment (Table 3.5). Of those who gave a specific reason for leaving their last employment, 57% left their last job due to involuntary reasons. 10% were dismissed or sacked and 9% left because they “did not like it”. It would have been useful to know why the 10% were sacked / dismissed: e.g. was it due to their being awful at the job or perhaps even deliberately creating the situation where they could return to claiming JSA? The 9% who did not like the job again deserve further study: was it that particular job, perhaps a skills mismatch, or are these particular individuals just work-shy?

Table 3.5: Reasons for leaving last job

Reasons:	Total %
Temporary job ended	33
Made redundant	16
Dismissed/sacked	10
Became ill/injured and had to leave	8
Left because I did not like it	9
Base: All respondents who have left a job	2,627

Other important findings were that over 25% of repeat claimants had experienced their benefits being stopped or reduced, and 7% said a sanction was the reason their last JSA claim ended. Sanctioning by the DWP was itself contributes to additional JSA spells and was no impacting the financial stability of claimants.

Search behaviour

Search behaviour is important to the unemployed finding work. 72% of respondents in Carpenter (2006) who had made at least three claims for JSA

said they had not been able to find 'suitable' work. 41% of these repeat claimants said they had only been able to find short-term work. This suggests that repeat claimants are performing badly in their search for work, or that given their poor proposition to the job market, they struggle to find suitable full-time employment suitable for them.

How well or badly an individual performs in their search for work seems to depend on confidence, ability and determination. Carpenter (2006) found 19% said their confidence was low, 27% rated their chances of getting a job as poor, 40% said that getting a job was more down to luck than effort, 90% were determined to find work, 18% of repeat claimants were negative in some way with those under 25 with basic skills problems most likely to have a less positive attitude towards work and the vast majority thought they would be (or were) better off financially in work than on benefits. This interesting set of data leads us to believe that the majority of repeat claimants know they would be better off in work, want to find work but alienated from the labour market and struggle to stay positive and motivated during long periods out of work.

Carpenter (2006) also found that 8% said they did not much care whether they worked or not, and that although 61% of those out of work had applied for ten or more jobs in the last six months, 6% had applied for no jobs, 2% applied for one job, 13% applied for two to four jobs and that 16% applied for five to nine jobs. To find out why this was the case Carpenter asked those who had applied to only one or no jobs why, 21% claimed there were not enough suitable jobs, 9% claimed there were no/few jobs available, 22% had health problems, 8% were looking after family and 6% were still in full-time education. These figures regarding search behaviour and the spurious reasons given for not applying for more jobs are very worrying. Within 6 months, to be only able to find and apply for less than ten 'suitable' roles to

which to apply to shows a distinct lack of effort and/or flexibility on the part of many of these repeat JSA claimants.

Of repeat claimants, 12.5% found their last job through a programme. The longer they spent on a programme, the more likely they were to find work through it rather than independently (Carpenter, 2006). This suggests that welfare-to-work programmes can be useful in finding work, most probably due to their close supervision and support to the jobless.

Finally, Carpenter (2006) found that over a third of repeat claimants said they had been in contact with a private employment agency, and this was more common among those who had been in temporary rather than full employment. This may be part in due to the increasing commissioning of private employment agencies by DWP to find work for the unemployed and does raise questions as to how effective these agencies are in finding sustained employment for the unemployed.

Carpenter also found that although 6% of respondents said they preferred short-term work, 41 % said they were only able to get short-term work. This may again be due to increasing use of employment agencies which supply short-term temporary workers to companies.

Physical and mental health issues

297,355 individuals or 25% of repeat claimants had also received other benefits: 82% received Incapacity Benefit (IB) and 77% received Income Support (IS) and (Carpenter, 2006). 55% claimed both IB and income support (IS) (Carpenter 2006) and those in this group were more likely to have suffered long-term health or on-going problems. This may be indicative of short-term health problems contributing heavily to repeat JSA claims.

However, IB can be claimed for a broad range of health problems including such subjective conditions as stress, depression and backache. 7% of the working age population were on incapacity or other sickness benefits in 1999 (Bartholomew, 2006). In May 2002 there were 2.4 million individuals claiming incapacity benefits with 819,000 suffering 'mental and behavioural disorders' which includes 'stress', and 525,000 with 'diseases of the musculoskeletal system and connective tissue' which includes backache. These two categories made up for over 56% of claims. As Bartholomew (2006) points out this compares with 9,800 suffering from diseases of the ear, which is an easily verifiable condition. He also notes that the highest levels of claims for IB were in areas with high unemployment, and that backache is suspiciously common when wages are low compared to IB and associated benefits. Some of the areas with the highest claimant rates for IB were Merthyr Tydfil with 26.9%, Easington with 26.2%, Glasgow with 20.7%, Blaenau Gwent with 19.8% and Liverpool with 18.9% (Bartholomew, 2006).

These statistics would therefore tend to suggest that although in a minority of cases, serious short-term and longer-term health issues can contribute to repeat JSA claims, it does tend also to suggest that in areas where work opportunities may be limited, and high levels of unemployment have placed downward pressure on wages thus increasing the replacement rate of benefits to wages, a worryingly large amount of individuals are manipulating the system claiming to have fictional illnesses to avoid work. This would no doubt be difficult to prove conclusively, but it would warrant further research.

Carpenter (2006), in her survey of repeat JSA spells found that 3% of respondents had drug and alcohol problems. Although there is an increasingly more prominent problem of excessive binge drinking (NHS 2006) with 25% of males and 10% of females regularly drinking above the

recommended daily amounts, the evidence would suggest that alcoholism is a limited but intense problem that may contribute to repeat JSA claims in a small minority.

Regarding drug misuse, this figure is again low compared to the wider population where in 2005/2006, 10.5% of adults reported using one of more illicit drugs in the previous year (NHS 2009). However, as with alcohol a serious addiction to some substances would result in individuals losing their jobs or being unable secure new work. As well as the psychological and financial problems associated with drug misuse, there is also a strong link with criminality, again creating further barriers to work.

Homelessness

Carpenter (2006) found that 14% of repeat claimants had no permanent place to live. Compared to average levels of the time, there were 19,430 acceptances of homelessness by local authorities during the April - June quarter 2006 (ONS) and the population was roughly 60,587,400 at the time (ONS) giving a figure 0.03% of the population. 14% is therefore vastly higher than the average for the wider population. This will place tremendous strain on individuals seeking work, especially as gaining employment may then make claimants ineligible for housing benefit and other financial support. Individuals may well find themselves trapped in temporary accommodation and on JSA.

Incentive and financial stability issues

12.5% of respondents to Carpenter (2006) said they experienced financial problems which they said made it difficult for them to find or keep a job. 12.5% also said that benefits provided a more stable income than employment (this was often those with who have been LTU or have programme experience). This would suggest that repeat JSA claimants

become trapped by the high replacement rate of JSA and the stable income it offers compared to the low-level jobs such workers would be able to secure.

Carpenter (2006) claims “there is little evidence in the survey to suggest that recycling is due to personal choice. The findings consistently indicate an inability to find sustained employment rather than a choice to avoid it. The vast majority said that they would have preferred to spend more of their life in work”, and yet then says in the same paragraph “Just ten per cent of respondents who did not have a background of steady work said that they would not rather have spent more time in work” (2006, Pg 3). Carpenter’s use of the word ‘just’ implies something of insignificance, however, 10% of respondents wishing to avoid being in work as much as possible is significant and does on the contrary to Carpenter’s claims, imply some level of personal choice to recycling for at least 10% of respondents. In support of this, as mentioned earlier, 39% of respondents had applied for less than ten jobs in 6 months. This lacklustre attempt to find work by nearly 40% of respondents again implies a strong degree of personal choice in not seeking to improve their situation and get off JSA.

Childcare issues

11% of repeat claimants had dependent children and the vast majority of these said their child’s needs of childcare issues made it difficult to work or work longer hours (Carpenter, 2006). They did not claim that having children created an insurmountable barrier to employment. It was found that respondents with children generally had a more stable work history than those without. This may be due to them being focused on providing financially to support their child.

9% of respondents provided care for others because of illness, disability, old age or infirmity. 25% of people within this group said that it affected the type

or amount of work (Carpenter, 2006). Carpenter rightly concludes from the data that caring responsibilities have little major impact on claiming behaviour or work patterns. It can be assumed that individuals in this position would be strongly supported by social services, charity and family, and that Disabled Living Allowance (DLA) would be paid to the individual being cared for and to help support those in a caring role.

Geographical mobility

Similar to LTU, the problem of geographical mobility can be seen as important to repeat claims as 54% of repeat claimants did not have a driving licence. 20% said they could not afford the cost of transport to work and 21% said travelling to work is/would be difficult (Carpenter 2006) thus limiting them to locally accessible job vacancies. This is a drastic limitation on work opportunities and is no doubt a major cause of repeat JSA claimants as workers are unable to find suitable sustained employment further afield.

Summary

From the evidence thus presented it can be concluded that there is a strong link, and many common contributing factors between LTU and repeat JSA claims. This is the same conclusion reached by Heather (2004), who found that repeat JSA claims are indicative of longer-term employment barriers. Carpenter (2006) makes similar claims that the majority of evidence suggests that the cycles of employment and JSA are the result of structural barriers rather than differences in the individual's characteristics and their circumstances (labour market characteristics and individuals' skill, perspectives, attitudes and behaviour). The evidence does tend to support the argument that the structure in which individuals act to a large extent determines the options available to them. However, no matter what the structure, there is still room to argue that individual agency plays a pivotal role as individuals are formed, and actively react to the structure around them.

This would therefore suggest that to address the problem of LTU and repeat JSA claims the government must tackle any perverse incentives which exist within the tax and benefits system, and address other structural barriers so as to encourage workers to make the choices which will ultimately lead them to long-term and sustained employment.

Chapter 4

Conclusions and Recommendations

Summary of this work

Chapter 1 of this work examined the UK welfare state and the debate surrounding welfarism in the UK.

Chapter 2 examined the contributing factors towards LTU including the effect of skills, education, literacy, and incentive issues.

Chapter 3 examined the contributing factors to repeat JSA claims including many, if not all of the same factors.

Conclusions

It seems clear from the data and evidence that LTU and repeat JSA spells are symptoms of the same core problems: de-industrialisation and structural change, discrimination by employers, a lack of marketable skills and education (although the effect of this is debatable), criminality, poor work history, ineffective search behaviour driven by perverse incentives in the tax and benefit systems, physical and mental health issues, homelessness, a lack of financial independence and a lack of geographical mobility all conspire to create barriers to long-term and sustainable employment.

Recommendations

This work has explored the contributing factors to LTU and repeat JSA claims. Using the knowledge gained and conclusions reached, it can now begin to explore a number of possible public policy solutions to the problems of long-term unemployment and repeat claims of Job Seekers Allowance.

Policy option 1: Do nothing

The first and least appealing policy option is to do nothing. However, given that 27.3% of the workforce is currently not in employment, and that 7.8% of the workforce is claiming Job Seeker's Allowance as of the 12th August 2009 (ONS), doing nothing is the least desirable option.

Policy option 2: Increase the provision of educational courses and vocational training for the entire workforce

As demonstrated earlier, poor educational attainment, a lack of transferable work-based skills, illiteracy and innumeracy can all present major barriers to sustained employment. By increasing the funding for and the provision of educational courses and vocational training for the entire workforce, the government can ensure this barrier to employment is reduced. This will also ensure that even if those currently in employment lose their jobs for whatever reason, they are able to quickly return to new employment.

For the long-term unemployed and repeat JSA claimants, attendance at such courses could be made compulsory based on the educational requirements of the individuals concerned. Such conditionality will thus force the less-than-willing towards increasing their employability and tackle the incentive issues raised in Chapters 2 and 3.

Policy option 3: Linking benefits to school leavers to their performance at GCSE.

With only 65.7% of GCSE results being grades A* - C, action to improve the educational standards of school-leavers is required. This could be achieved by further increasing the conditionality of JSA for all new claimants who leave school from 2010 onwards, i.e. that to be eligible for benefits, individuals must achieve a minimum of 5 GCSEs grades A* - C. Of course exceptions to this rule could be made for those with physical/mental health issues, and/or learning difficulties which would make such an achievement very difficult and thus unfair.

Increasing the educational standards of school leavers by incentivising hard work while pupils are still in school will also decrease the number of those eligible for benefits on leaving, thus forcing them into work.

Policy option 4: Tax reform to incentivise work

Although the replacement rate is not seen as important as the length of time for which benefits are offered, it does play a minor role. The level of benefits could be cut to increase the gap between the benefits and income; however, this would force many of the unemployed into the 'poverty trap'. An alternative to this would therefore be to offer benefits which are sufficient to give the unemployed a safety net, and at the same time to make being in work far more worthwhile, thus still lowering the replacement rate. This might be achieved by dramatically increasing the tax-free allowance to perhaps £10,000 per annum, thus removing many of the working poor from income tax all together. Also, increasing the minimum wage and linking it to inflation, abolishing tax on savings and pensions to encourage work and accumulation of savings, and exploring a flat tax system to encourage individuals in work to progress their careers.

Policy option 5: Time limits on Job Seeker's Allowance

As was demonstrated in Chapters 2 and 3, the length of time for which an individual may claim unemployment benefits is strongly correlated to the incidence of LTU and repeat JSA claims. Anecdotal evidence of what occurred after the implementation of the United State's 'Personal Responsibility and Work Opportunity Reconciliation Act of 1996' suggests that by placing a 2 year limit on each claim, and a lifetime limit of 5 years on unemployment benefits forced many of the long-term unemployed and repeat benefits claimants into work. Although initially this has been low-paid work, this has soon been replaced by better paid jobs and participation in part-time education programmes.

It would therefore seem appropriate to place time limits on the maximum duration for which individuals are eligible for unemployment benefits such as JSA, again with exceptions for the severely disabled and those for who work would be impossible. Further research into what has occurred in the US would be required to establish causality.

Policy option 6: Increasing the support for ex-prisoners and better rehabilitation in prisons

The rehabilitation of prisoners is of vital importance to improve their employability, thus helping them into work and preventing re-offending. Rehabilitation must therefore begin from the moment prisoners are sentenced. Learning difficulties and mental health problems must be identified early to ensure proper support. The reason why individuals fell into crime should also be explored with them, and educational requirements discussed to ensure that remedial education can be given, tailored to their needs. The granting of probation could also be linked to individuals having met the requirements of their rehabilitation plans, thus forcing prisoners to rehabilitate. Upon a prisoner's release, the probation service should then

work closely with the individual and the DWP to support the individual into work.

To tackle the barrier presented by an individual's criminal history, i.e. gaps in work history where an individual was incarcerated, time spent on work programmes may help to build up sufficient work history to negate the influence of the gap. However, if an individual was involved in a violent crime or a crime involving vulnerable individuals, the safety of wider society must always take precedence.

Policy option 7: Increasing the support substance abusers

Extra support to alcohol and substance abusers is essential to increasing their employability. Although a knee-jerk reaction could be to link seeking help with benefits, or cutting benefits as a punishment for re-lapses, this could ultimately prove counter-productive as addicts of any kind are prone to relapse. Also, taking an addict's benefit income away may merely force them into petty crime such as stealing and shoplifting, or onto much more serious offences such as mugging and burglary to support their addictions. Therefore, continued and long-term treatment through the NHS National Treatment Agency for Substance Misuse is essential.

Policy option 8: Stricter enforcement of JSA requirements

Job Seeker's Allowance requires that individuals be capable of working, available for work, actively seeking work and below state pension age. Whether an individual is 'actively seeking work' is tested through a 'diary' they complete with their job-seeking activities; they must complete three activities per week. It could therefore be argued that completing a mere three activities per week which may be anything from posting an application, attending an interview or simply saying that they looked for work in local papers they are

not as actively seeking employment as they could be. They can also quite easily fake such activities or even attend job interviews and deliberately perform badly to ensure they do not get the jobs they have been sent to gain, therefore be not genuinely seeking work. Anecdotal evidence suggests that this does occur.

It can therefore be said that the current system requires tightening, perhaps with personalised conditionality as advocated by Gregg (2008) to ensure that pressure is continually exerted on job seeker's to increase their employability, seek suitable work and to take available work when offered.

Policy option 9: Increasing geographical mobility

As discussed earlier, limited geographical mobility limits the job opportunities with a commutable distance. This could be addressed in a number of ways:

- Relocation grants to help workers move once they have found new employment;
- Financial aid towards the cost of learning to drive, given as a direct payment to driving instructors;
- Free passes for use on public transport to get to job interviews, and during the first two months of a new job; and,
- Radical improvements to the coverage, speed and reliability of transport infrastructure.

A combination of one or all of these policy solutions might help to tackle the barriers presented by geographical mobility.

Policy option 10: Seeking alternative routes into employment

Alternative routes into employment could also be explored and exploited, for example supporting those working in the informal economy to become part of the formal economy through help with business and tax registration, extra

support towards training, etc. for the ‘employer’ concerned. These processes could take place over a twelve month period so that organisations which were previously unregistered, unregulated and untaxed become part of the formal sector and create sustainable employment.

Policy option 11: Making JSA an insurance-only scheme

Another possible policy to reduce LTU and repeat JSA claims would be to make the JSA system insurance-only, i.e. scrap the JSA (IB) system so that only those who had paid into the system over a period of time would be eligible to claim through JSA (C).

This course of action would drastically reduce the eligibility for JSA, thus forcing individuals to accept any employment they can find. In theory, it would also make LTU impossible as contributions would soon be exhausted. The need for extra contributions from public funds would also be removed thus freeing up funding for other areas of public finance, or indeed for funding the other policies outlined here.

On the negative side, this policy would be very controversial for such a drastic reduction in eligibility and the possible risks are economic marginalisation.

Policy option 12: Tightening the definition of incapacity

Long term health problems were seen as a key barrier to employment for both the long-term unemployed and repeat JSA claimants. However, evidence did suggest that some individuals may be exploiting the system.

Incapacity is commonly defined as defined as “deprived of strength or ability” (Makins, 1992). Such a strict definition should be adopted when defining edibility for Employment and Support Allowance (ESA), the replacement to Incapacity Benefit (IB) and Income Support (IS). This would therefore limit

the benefit to victims of accidents and those suffering from serious long-term health problems such as a terminal illness, and thus drastically reduce eligibility and un-justifiable claims.

Policy option 13: Supporting new businesses

A great deal has been done to support new business in recent decades such as the creation of the Business Link network (www.businesslink.gov.uk) in 1993 by the then Department for Trade and Industry. More could perhaps be done to support new small enterprises such a tax breaks during their first two years of operation or financial support for training and investment. This would create more jobs and thus reduce unemployment.

More guidance and support could also be made available to the long-term unemployed who may wish to start their own businesses or become self-employed.

Policy option 14: Making job advertisement through the Job Centre network compulsory

To ensure that all jobs are openly advertised, and that the widest number of individuals have knowledge of them and can apply for them, it could be made legally compulsory that any and all job vacancies must be advertised through the Job Centre Plus network, even if they are also being advertised elsewhere.

In theory, this would lead to a reduction in LTU and repeat JSA claims as workers are able to quickly and clearly examine the entire labour market and find the role which best suits their skill set (hopefully increased through policy option 2). The overall result across the labour market could be a move to Parreto optimality, i.e. an optimum allocation of resources.

Policy conclusions

Doing nothing is the least desirable option; it will lead to a continuation of LTU and the associated social and fiscal costs. The related problems of LTU and repeat JSA claims require action and a combination of some of these policies to tackle the individual, familial, institutional, and economic barriers that prevent long-term sustained employment may help.

The government must also ensure that the long-term unemployed and repeat JSA claimants are not given perverse incentives but instead given the help support, and if necessary the push, to find employment.

Some of these policies are controversial, however, the present author believes that such radical solutions may become necessary to tackle LTU and repeat JSA claims in the future.

Recommendations for further research

Although this work has explored a wide range of contributing factors towards LTU and 'recycling', it has remained limited in scope in this vast area of discourse, and there remain many questions:

- We know some of the contributing factors, but are there more that have not yet been discovered or fully understood?
- Exactly how important is each factor?
- Which policy options would work, how effective would they be, how much public money would they save and how much would they contribute to the economy?
- What factors determine whether a company hires a particular individual?
- Are repeat JSA claimants the victims of discrimination on the grounds of age, race, physical and mental health?

- Are modern Human Resources (HR) practices in both the public and private sector reducing the efficiency of the labour market?

These important questions all deserve further examination, and will no doubt form part of my future research.

Peter Hill, September 2009.

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